

Message Text

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SUMMARY. CONSIDERABLE CONTROVERSY LIVENS THE DEBATE REGARD-
ING THE EFFECTS OF THE NEW NATIONAL WAGE AGREEMENT ENACTED
INTO LAW BY THE FOLKETING APRIL 15. THE GRADE UNIONS AND GOV-
ERNMENT SAY THAT IT FALLS WITHIN THE PARAMETERS OF THE
AUGUST COMPROMISE; MANY EMPLOYERS AND ECONOMISTS DISAGREE.
A FINAL JUDGMENT MUST AWAIT PUBLICATION OF STATISTICS DURING
THE PERIOD OF THE WAGE LAW'S VALIDITY. END SUMMARY.

1. THE NATIONAL COLLECTIVE AGREEMENT ENACTED INTO LAW BY
THE FOLKETING APRIL 15 AFTER ITS REJECTION BY THE DANISH
EMPLOYERS' CONFEDERATION (DEC) IS HIGHLY CONTROVERSIAL. THE
GOVERNMENT INSISTS THAT THE WAGE INCREASES WHICH WILL COME
AS A RESULT OF THE NEW AGREEMENT WILL NOT EXCEED THE 2 PER-
CENT LIMIT LAID DOWN BY THE POLITICIANS IN THE SO-CALLED
"AUGUST COMPROMISE" OF 1976. (IT WILL BE RECALLED THAT THE
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PAGE 02 COPENH 02441 270758Z

AUGUST COMPROMISE ALLOWED TWO COST-OF-LIVING INCREMENTS PER
YEAR, CALCULATED THEN AS AMOUNTING TO A 4 PERCENT WAGE IN-
CREASE, AND 2 PERCENT MORE IN NEGOTIATED WAGE INCREASES, FOR
A TOTAL OF 6 PERCENT ANNUALLY,), MANY EMPLOYERS, LABOR MARKET
OBSERVERS AND ECONOMISTS PREDICT THAT WAGE INCREASES WHICH
WILL COME AS A RESULT OF THE AGREEMENT WILL REACH A TOTAL OF
8-10.5 PERCENT.

2. THE DIFFICULTY IN CALCULATING THE IMPACT OF THE AGREEMENT ON THE TOTAL WAGE BILL LIES IN THE LACK OF STATISTICS ON THE NUMBER OF PEOPLE AFFECTED BY THE NEW KR. 29.00 (ABOUT DOLS. 5.00) MINIMUM WAGE AND UNCERTAINTY REGARDING THE AMOUNT OF WAGE DRIFT WHICH CAN BE EXPECTED. SKILLED WORKERS IN DENMARK HAVE ALWAYS BEEN KEEN TO MAINTAIN A RESPECTABLE DIFFERENTIAL BETWEEN THEIR WAGES AND THOSE OF UNSKILLED WORKERS.

3. IN THE GOVERNMENT CALCULATIONS, WAGE DRIFT IS NOT INCLUDED AND GOVERNMENT SPOKESMEN HAVE DECLARED THAT EMPLOYERS ARE EXPECTED TO RESIST PRESSURES FOR WAGE INCREASES NOT ATTRIBUTABLE TO PRODUCTIVITY INCREASES. FURTHERMORE, AS PART OF THE PARLIAMENTARY NEGOTIATION LEADING TO ENACTMENT OF THE MEDIATION PROPOSAL INTO LAW, THE GOVERNMENT COMMITTED ITSELF TO FURTHER INTERVENTION IN THE LABOR MARKET RELATIONSHIP IF WAGES EXCEED THE PARAMETERS LAID DOWN IN THE AUGUST COMPROMISE.

4. ALL IN ALL, THE GENERAL AGREEMENT PROVIDES FOR INCREASES PRETTY MUCH ON A PAR WITH PREVIOUS WAGE AGREEMENTS. IN PREVIOUS YEARS, HOWEVER, WAGE INCREASES WERE MOSTLY ATTRIBUTABLE TO COST-OF-LIVING ADJUSTMENTS IN LINE WITH INFLATIONARY DEVELOPMENTS (NOW ONLY 2 COL INCREMENTS PER YEAR ARE PERMITTED) AND WAGE DRIFT IN A MARKET SITUATION WHERE SKILLED LABOR WAS IN SHORT SUPPLY. MOREOVER, A MINIMUM WAGE HAS NOT PREVIOUSLY BEEN INCLUDED IN A LABOR MARKET AGREEMENT. CONSEQUENTLY, AN OBJECTIVE ASSESSMENT OF THE EFFECTS OF THE NEW AGREEMENT MUST AWAIT THE PUBLICATION OF STATISTICS IN THE COMING MONTHS.

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PAGE 03 COPENH 02441 270758Z

5. THERE IS NO DOUBT THAT THE LO LEADERS ARE QUITE PLEASED WITH WHAT THEY HAVE ACHIEVED. THEIR OFFICIAL COMMENT IS "WE HAVE ACHIEVED THE BEST WE COULD UNDER THE CIRCUMSTANCES." PRIVATELY, THE LEADING NEGOTIATORS HAVE ADMITTED THAT THEY REALLY DID QUITE WELL, ESPECIALLY FOR THE LOWEST EARNING GROUP. EMPLOYERS, ON THE OTHER HAND, FEAR THAT THEIR COMPETITIVE ABILITY WILL BE REDUCED BECAUSE OF THE COST SQUEEZE ATTRIBUTABLE TO HIGHER LABOR COSTS. A LEADING SPOKESMAN FOR THE DANISH EMPLOYERS' CONFEDERATION TOLD US HE EXPECTS MANY SMALLER ENTERPRISES TO GO OUT OF BUSINESS AS A CONSEQUENCE OF THE WAGE AGREEMENT.

6. MOST OBSERVERS AGREE, HOWEVER, THAT UNLESS "WAGE DRIFT PLAYS A ROLE IN THE COMING TWO YEAR CONTRACT PERIOD, HIGH WAGE EARNERS WILL SUFFER A DECLINE IN REAL EARNINGS WHILE THE LOWEST PAID MAY HAVE REAL INCREASES UP TO 8 PERCENT. MIDDLE LEVEL EARNERS MAY REALIZE INCREASES IN REAL EARNINGS BETWEEN 1 AND 3 PERCENT.
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